

**DELL INC.**  
Condensed Consolidated Statement of Income and Related Financial Highlights  
(in millions, except per share data and percentages)  
(unaudited)

	Three Months Ended			% Growth Rates	
	February 3, 2012	October 28, 2011	January 28, 2011	Sequential	Yr. to Yr.
Net revenue					
Products.....	\$ 12,925	\$ 12,312	\$ 12,751	5%	1%
Services, including software related .....	3,106	3,053	2,941	2%	6%
Total net revenue .....	<u>16,031</u>	<u>15,365</u>	<u>15,692</u>	4%	2%
Cost of net revenue					
Products.....	10,521	9,797	10,337	7%	2%
Services, including software related .....	2,125	2,099	2,064	1%	3%
Total cost of net revenue.....	<u>12,646</u>	<u>11,896</u>	<u>12,401</u>	6%	2%
Gross margin .....	3,385	3,469	3,291	(2%)	3%
Operating expenses					
Selling, general and administrative .....	2,218	2,107	1,977	5%	12%
Research, development and engineering .....	236	220	169	7%	40%
Total operating expenses.....	<u>2,454</u>	<u>2,327</u>	<u>2,146</u>	5%	14%
Operating income .....	931	1,142	1,145	(18%)	(19%)
Interest and other, net.....	(24)	(70)	(18)	66%	(36%)
Income before income taxes.....	907	1,072	1,127	(15%)	(20%)
Income tax provision .....	143	179	200	(20%)	(28%)
Net income .....	<u>\$ 764</u>	<u>\$ 893</u>	<u>\$ 927</u>	(14%)	(18%)
Earnings per share:					
Basic .....	\$ 0.43	\$ 0.49	\$ 0.48	(12%)	(10%)
Diluted .....	<u>\$ 0.43</u>	<u>\$ 0.49</u>	<u>\$ 0.48</u>	(12%)	(10%)
Weighted average shares outstanding:					
Basic .....	1,778	1,813	1,924	(2%)	(8%)
Diluted .....	1,796	1,828	1,938	(2%)	(7%)
<b><u>Percentage of Total Net Revenue:</u></b>					
Gross margin.....	21.1%	22.6%	21.0%		
Selling, general and administrative.....	13.8%	13.8%	12.6%		
Research and development.....	1.5%	1.4%	1.1%		
Operating expenses.....	15.3%	15.2%	13.7%		
Operating income.....	5.8%	7.4%	7.3%		
Income before income taxes.....	5.7%	7.0%	7.2%		
Net income.....	4.8%	5.8%	5.9%		
Income tax rate .....	15.8%	16.7%	17.8%		
<b><u>Net Revenue by Product Category:</u></b>					
Servers and Networking .....	\$ 2,220	\$ 2,089	\$ 2,090	6%	6%
Storage.....	500	460	574	9%	(13%)
Services .....	2,179	2,123	1,943	3%	12%
Software and Peripherals .....	2,558	2,528	2,651	1%	(4%)
Mobility.....	4,877	4,750	4,850	3%	1%
Desktop PCs.....	3,697	3,415	3,584	8%	3%
Consolidated net revenue.....	<u>\$ 16,031</u>	<u>\$ 15,365</u>	<u>\$ 15,692</u>	4%	2%
<b><u>Percentage of Total Net Revenue:</u></b>					
Servers and Networking .....	14%	14%	13%		
Storage.....	3%	3%	4%		
Services .....	14%	14%	12%		
Software and Peripherals .....	16%	16%	17%		
Mobility.....	30%	31%	31%		
Desktop PCs.....	23%	22%	23%		
<b><u>Net Revenue by Global Segment:</u></b>					
Large Enterprise.....	\$ 4,909	\$ 4,487	\$ 4,692	9%	5%
Public.....	3,949	4,375	3,973	(10%)	(1%)
Small and Medium Business.....	3,977	3,712	3,749	7%	6%
Consumer .....	3,196	2,791	3,278	15%	(2%)
Consolidated net revenue.....	<u>\$ 16,031</u>	<u>\$ 15,365</u>	<u>\$ 15,692</u>	4%	2%
<b><u>Percentage of Total Net Revenue:</u></b>					
Large Enterprise.....	30%	29%	30%		
Public.....	25%	29%	25%		
Small and Medium Business.....	25%	24%	24%		
Consumer .....	20%	18%	21%		
<b><u>Consolidated Operating Income:</u></b>					
Large Enterprise.....	\$ 461	\$ 441	\$ 502		
Public.....	327	463	366		
Small and Medium Business.....	412	386	450		
Consumer .....	39	76	69		
Segment operating income.....	1,239	1,366	1,387		
Broad based long-term incentives .....	(96)	(78)	(101)		
Amortization of intangible assets.....	(104)	(100)	(85)		
Severance and facility actions and acquisition-related.....	(108)	(46)	(56)		
Consolidated operating income .....	<u>\$ 931</u>	<u>\$ 1,142</u>	<u>\$ 1,145</u>		

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

**DELL INC.**  
Condensed Consolidated Statement of Income and Related Financial Highlights  
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(unaudited)

	<b>Fiscal Year Ended</b>		<b>% Growth Rates</b>
	<b>February 3, 2012</b>	<b>January 28, 2011</b>	
			<b>Yr. to Yr.</b>
Net revenue			
Products.....	\$ 49,906	\$ 50,002	0%
Services, including software related .....	12,165	11,492	6%
Total net revenue .....	<u>62,071</u>	<u>61,494</u>	1%
Cost of net revenue			
Products.....	39,689	42,068	(6%)
Services, including software related .....	8,571	8,030	7%
Total cost of net revenue.....	<u>48,260</u>	<u>50,098</u>	(4%)
Gross margin .....	13,811	11,396	21%
Operating expenses			
Selling, general and administrative .....	8,524	7,302	17%
Research, development and engineering .....	856	661	30%
Total operating expenses.....	<u>9,380</u>	<u>7,963</u>	18%
Operating income .....	4,431	3,433	29%
Interest and other, net <sup>(1)</sup> .....	(191)	(83)	(130%)
Income before income taxes.....	4,240	3,350	27%
Income tax provision .....	748	715	5%
Net income .....	<u>\$ 3,492</u>	<u>\$ 2,635</u>	33%
Earnings per share:			
Basic .....	<u>\$ 1.90</u>	<u>\$ 1.36</u>	40%
Diluted .....	<u>\$ 1.88</u>	<u>\$ 1.35</u>	39%
Weighted average shares outstanding:			
Basic .....	1,838	1,944	(5%)
Diluted .....	1,853	1,955	(5%)
<b><u>Percentage of Total Net Revenue:</u></b>			
Gross margin.....	22.3%	18.5%	
Selling, general and administrative.....	13.7%	11.9%	
Research and development.....	1.5%	1.0%	
Operating expenses.....	15.2%	12.9%	
Operating income.....	7.1%	5.6%	
Income before income taxes.....	6.8%	5.4%	
Net income.....	5.6%	4.3%	
Income tax rate .....	17.6%	21.3%	
<b><u>Net Revenue by Product Category:</u></b>			
Servers and Networking .....	\$ 8,336	\$ 7,609	10%
Storage.....	1,943	2,295	(15%)
Services .....	8,322	7,673	8%
Software and Peripherals .....	10,222	10,261	0%
Mobility.....	19,104	18,971	1%
Desktop PCs.....	14,144	14,685	(4%)
Consolidated net revenue.....	<u>\$ 62,071</u>	<u>\$ 61,494</u>	1%
<b><u>Percentage of Total Net Revenue:</u></b>			
Servers and Networking .....	13%	12%	
Storage.....	3%	4%	
Services .....	13%	12%	
Software and Peripherals .....	17%	17%	
Mobility.....	31%	31%	
Desktop PCs.....	23%	24%	
<b><u>Net Revenue by Global Segment:</u></b>			
Large Enterprise.....	\$ 18,457	\$ 17,813	4%
Public.....	16,548	16,851	(2%)
Small and Medium Business.....	15,166	14,473	5%
Consumer .....	11,900	12,357	(4%)
Consolidated net revenue.....	<u>\$ 62,071</u>	<u>\$ 61,494</u>	1%
<b><u>Percentage of Total Net Revenue:</u></b>			
Large Enterprise.....	30%	29%	
Public.....	27%	27%	
Small and Medium Business.....	24%	24%	
Consumer .....	19%	20%	
<b><u>Consolidated Operating Income:</u></b>			
Large Enterprise.....	\$ 1,854	\$ 1,473	
Public.....	1,644	1,484	
Small and Medium Business.....	1,665	1,477	
Consumer .....	324	65	
Segment operating income.....	5,487	4,499	
Broad based long-term incentives .....	(352)	(350)	
Amortization of intangible assets.....	(391)	(349)	
Severance and facility actions and acquisition-related.....	(313)	(227)	
Other <sup>(2)</sup> .....	-	(140)	
Consolidated operating income .....	<u>\$ 4,431</u>	<u>\$ 3,433</u>	

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

<sup>(1)</sup> Interest and other, net for the fiscal year ended January 28, 2011 includes Dell's receipt of a \$72 million merger termination fee.

<sup>(2)</sup> Other for the fiscal year ended January 28, 2011 includes amounts for the \$100 million settlement of the SEC investigation and a \$40 million settlement for a securities litigation matter.

**DELL INC.**  
Condensed Consolidated Statement of Financial Position and Related Financial Highlights  
(in millions, except for "Ratios")  
(unaudited)

	February 3, 2012	October 28, 2011	January 28, 2011
<b><u>Assets:</u></b>			
Current assets:			
Cash and cash equivalents .....	\$ 13,852	\$ 13,293	\$ 13,913
Short-term investments .....	966	545	452
Accounts receivable, net .....	6,476	6,690	6,493
Short-term financing receivables, net .....	3,327	3,326	3,643
Inventories, net .....	1,404	1,397	1,301
Other current assets .....	3,423	3,005	3,219
Total current assets .....	29,448	28,256	29,021
Property, plant and equipment, net .....	2,124	2,123	1,953
Long-term investments .....	3,404	2,183	704
Long-term financing receivables, net .....	1,372	1,279	799
Goodwill .....	5,838	5,943	4,365
Purchased intangible assets, net .....	1,857	1,957	1,495
Other non-current assets .....	490	302	262
Total assets .....	<u>\$ 44,533</u>	<u>\$ 42,043</u>	<u>\$ 38,599</u>
<b><u>Liabilities and Stockholders' Equity:</u></b>			
Current liabilities:			
Short-term debt .....	\$ 2,867	\$ 1,831	\$ 851
Accounts payable .....	11,656	11,107	11,293
Accrued and other .....	3,934	3,816	4,181
Short-term deferred services revenue .....	3,544	3,465	3,158
Total current liabilities .....	22,001	20,219	19,483
Long-term debt .....	6,387	6,430	5,146
Long-term deferred services revenue .....	3,836	3,744	3,518
Other non-current liabilities .....	3,392	2,987	2,686
Total liabilities .....	35,616	33,380	30,833
Total stockholders' equity .....	8,917	8,663	7,766
Total liabilities and equity .....	<u>\$ 44,533</u>	<u>\$ 42,043</u>	<u>\$ 38,599</u>
<b><u>Ratios:</u></b>			
Days of sales outstanding <sup>(1)</sup> .....	42	42	40
Days supply in inventory .....	11	11	9
Days in accounts payable .....	(89)	(84)	(82)
Cash conversion cycle .....	(36)	(31)	(33)
Average total revenue/unit (approximate)	\$ 1,330	\$ 1,390	\$ 1,360

Note: Ratios are calculated based on underlying data in thousands.

<sup>(1)</sup> Days of sales outstanding ("DSO") is based on the ending net trade receivables and most recent quarterly revenue for each period. DSO includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified in the other current assets. At February 3, 2012, October 28, 2011, and January 28, 2011, DSO and days of customer shipments not yet recognized were 39 and 3 days, 39 and 3 days, 37 and 3 days, respectively.

**DELL INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions, unaudited)

	<u>Three Months Ended</u>		<u>Fiscal Year Ended</u>	
	<u>February 3, 2012</u>	<u>January 28, 2011</u>	<u>February 3, 2012</u>	<u>January 28, 2011</u>
<b>Cash flows from operating activities:</b>				
Net income.....	\$ 764	\$ 927	\$ 3,492	\$ 2,635
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization .....	249	225	936	970
Stock-based compensation .....	101	107	362	332
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies .....	14	(27)	(5)	(4)
Provision for doubtful accounts - including financing receivables .....	67	83	234	382
Other .....	85	12	40	(19)
Changes in assets and liabilities, net of effects from acquisitions:				
Accounts receivable .....	137	(119)	(53)	(707)
Financing receivables .....	(210)	(250)	(372)	(709)
Inventories .....	(6)	(7)	(52)	(248)
Other assets .....	(251)	(227)	(28)	516
Accounts payable .....	558	24	327	(151)
Deferred services revenue.....	180	149	720	551
Accrued and other liabilities .....	149	586	(74)	421
Change in cash from operating activities .....	<u>1,837</u>	<u>1,483</u>	<u>5,527</u>	<u>3,969</u>
<b>Cash flows from investing activities:</b>				
Investments:				
Purchases .....	(2,237)	(174)	(4,656)	(1,360)
Maturities and sales .....	579	174	1,435	1,358
Capital expenditures .....	(165)	(160)	(675)	(444)
Proceeds from sale of facility and land.....	2	-	14	18
Purchase of financing receivables.....	-	-	-	(430)
Collections on purchased financing receivables.....	74	49	278	69
Acquisition of business, net of cash received .....	2	(130)	(2,562)	(376)
Change in cash from investing activities .....	<u>(1,745)</u>	<u>(241)</u>	<u>(6,166)</u>	<u>(1,165)</u>
<b>Cash flows from financing activities:</b>				
Repurchase of common stock .....	(537)	(200)	(2,717)	(800)
Issuance of common stock under employee plans.....	6	1	40	12
Issuance (repayment) of commercial paper (maturity 90 days or less), net ....	635	-	635	(176)
Proceeds from debt .....	733	515	4,050	3,069
Repayments of debt .....	(380)	(515)	(1,435)	(1,630)
Other .....	1	-	4	2
Change in cash from financing activities .....	<u>458</u>	<u>(199)</u>	<u>577</u>	<u>477</u>
Effect of exchange rate changes on cash and cash equivalents.....	9	(19)	1	(3)
Change in cash and cash equivalents.....	559	1,024	(61)	3,278
Cash and cash equivalents at beginning of period.....	13,293	12,889	13,913	10,635
Cash and cash equivalents at end of period.....	<u>\$ 13,852</u>	<u>\$ 13,913</u>	<u>\$ 13,852</u>	<u>\$ 13,913</u>

### **SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES**

The tables on the following pages set forth, for the periods indicated, a reconciliation of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per share (collectively, the “non-GAAP financial measures”) to the most comparable GAAP financial measures. These non-GAAP financial measures may not be directly comparable to similarly titled measures reported by other companies. See “Use of Non-GAAP Financial Measures” following the tables for additional information regarding Dell’s reasons for including the non-GAAP financial measures and for material limitations with respect to the usefulness of these measures.

**DELL INC.**

Reconciliation of Non-GAAP Financial Measures  
(in millions, except per share data and percentages)  
(unaudited)

	Three Months Ended			% Growth Rates	
	February 3, 2012	October 28, 2011	January 28, 2011	Sequential	Yr. to Yr.
GAAP gross margin.....	\$ 3,385	\$ 3,469	\$ 3,291	(2%)	3%
Non-GAAP adjustments:					
Amortization of intangibles.....	83	77	69		
Severance and facility actions and acquisition-related.....	15	-	8		
Non-GAAP gross margin.....	<u>\$ 3,483</u>	<u>\$ 3,546</u>	<u>\$ 3,368</u>	(2%)	3%
GAAP operating expenses.....	\$ 2,454	\$ 2,327	\$ 2,146	5%	14%
Non-GAAP adjustments:					
Amortization of intangibles.....	(21)	(23)	(16)		
Severance and facility actions and acquisition-related.....	(93)	(46)	(48)		
Non-GAAP operating expenses.....	<u>\$ 2,340</u>	<u>\$ 2,258</u>	<u>\$ 2,082</u>	4%	12%
GAAP operating income .....	\$ 931	\$ 1,142	\$ 1,145	(18%)	(19%)
Non-GAAP adjustments:					
Amortization of intangibles.....	104	100	85		
Severance and facility actions and acquisition-related.....	108	46	56		
Non-GAAP operating income.....	<u>\$ 1,143</u>	<u>\$ 1,288</u>	<u>\$ 1,286</u>	(11%)	(11%)
GAAP net income.....	\$ 764	\$ 893	\$ 927	(14%)	(18%)
Non-GAAP adjustments:					
Amortization of intangibles.....	104	100	85		
Severance and facility actions and acquisition-related.....	108	46	56		
Aggregate adjustment for income taxes.....	(63)	(56)	(50)		
Non-GAAP net income.....	<u>\$ 913</u>	<u>\$ 983</u>	<u>\$ 1,018</u>	(7%)	(10%)
GAAP earnings per share - diluted.....	\$ 0.43	\$ 0.49	\$ 0.48	(12%)	(10%)
Non-GAAP adjustments per share - diluted.....	0.08	0.05	0.05		
Non-GAAP earnings per share - diluted.....	<u>\$ 0.51</u>	<u>\$ 0.54</u>	<u>\$ 0.53</u>	(6%)	(4%)

Diluted WAS..... 1,796 1,828 1,938

**Percentage of Total Net Revenue:**

GAAP gross margin.....	21.1%	22.6%	21.0%		
Non-GAAP adjustment.....	0.6%	0.5%	0.5%		
Non-GAAP gross margin.....	<u>21.7%</u>	<u>23.1%</u>	<u>21.5%</u>		
GAAP operating expenses.....	15.3%	15.2%	13.7%		
Non-GAAP adjustment.....	(0.7%)	(0.5%)	(0.4%)		
Non-GAAP operating expenses.....	<u>14.6%</u>	<u>14.7%</u>	<u>13.3%</u>		
GAAP operating income.....	5.8%	7.4%	7.3%		
Non-GAAP adjustment.....	1.3%	1.0%	0.9%		
Non-GAAP operating income.....	<u>7.1%</u>	<u>8.4%</u>	<u>8.2%</u>		
GAAP net income.....	4.8%	5.8%	5.9%		
Non-GAAP adjustment.....	0.9%	0.6%	0.6%		
Non-GAAP net income.....	<u>5.7%</u>	<u>6.4%</u>	<u>6.5%</u>		

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

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Reconciliation of Non-GAAP Financial Measures  
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(unaudited)

	Fiscal Year Ended		% Growth Rates
	February 3, 2012	January 28, 2011	
GAAP gross margin.....	\$ 13,811	\$ 11,396	21%
Non-GAAP adjustments:			
Amortization of intangibles.....	305	278	
Severance and facility actions and acquisition-related.....	49	57	
Non-GAAP gross margin.....	<u>\$ 14,165</u>	<u>\$ 11,731</u>	21%
GAAP operating expenses.....	\$ 9,380	\$ 7,963	18%
Non-GAAP adjustments:			
Amortization of intangibles.....	(86)	(71)	
Severance and facility actions and acquisition-related.....	(264)	(170)	
Other <sup>(1)</sup> .....	-	(140)	
Non-GAAP operating expenses.....	<u>\$ 9,030</u>	<u>\$ 7,582</u>	19%
GAAP operating income.....	\$ 4,431	\$ 3,433	29%
Non-GAAP adjustments:			
Amortization of intangibles.....	391	349	
Severance and facility actions and acquisition-related.....	313	227	
Other <sup>(1)</sup> .....	-	140	
Non-GAAP operating income.....	<u>\$ 5,135</u>	<u>\$ 4,149</u>	24%
GAAP net income.....	\$ 3,492	\$ 2,635	33%
Non-GAAP adjustments:			
Amortization of intangibles.....	391	349	
Severance and facility actions and acquisition-related.....	313	227	
Other <sup>(1)</sup> .....	-	68	
Aggregate adjustment for income taxes.....	(244)	(173)	
Non-GAAP net income.....	<u>\$ 3,952</u>	<u>\$ 3,106</u>	27%
GAAP earnings per share - diluted.....	\$ 1.88	\$ 1.35	39%
Non-GAAP adjustments per share - diluted.....	0.25	0.24	
Non-GAAP earnings per share - diluted.....	<u>\$ 2.13</u>	<u>\$ 1.59</u>	34%
Diluted WAS.....	1,853	1,955	
<b><u>Percentage of Total Net Revenue:</u></b>			
GAAP gross margin.....	22.3%	18.5%	
Non-GAAP adjustment.....	0.5%	0.6%	
Non-GAAP gross margin.....	<u>22.8%</u>	<u>19.1%</u>	
GAAP operating expenses.....	15.2%	12.9%	
Non-GAAP adjustment.....	(0.7%)	(0.6%)	
Non-GAAP operating expenses.....	<u>14.5%</u>	<u>12.3%</u>	
GAAP operating income.....	7.1%	5.6%	
Non-GAAP adjustment.....	1.2%	1.1%	
Non-GAAP operating income.....	<u>8.3%</u>	<u>6.7%</u>	
GAAP net income.....	5.6%	4.3%	
Non-GAAP adjustment.....	0.8%	0.8%	
Non-GAAP net income.....	<u>6.4%</u>	<u>5.1%</u>	

Note: Percentage growth rates and ratios are calculated based on underlying data in thousands.

<sup>(1)</sup> Other for the fiscal year ended January 28, 2011 includes amounts for the \$100 million settlement of the SEC investigation and a \$40 million settlement for a securities litigation matter, which are both recorded in operating expenses, offset by Dell's receipt of a \$72 million merger termination fee, which is recorded in Interest and Other, Net.

## USE OF NON-GAAP FINANCIAL MEASURES

Dell uses non-GAAP financial measures to supplement the financial information presented on a GAAP basis. Dell believes that excluding certain items from Dell's GAAP results allows Dell's management to better understand Dell's consolidated financial performance from period to period and in relationship to the operating results of Dell's segments, as management does not believe that the excluded items are reflective of Dell's underlying operating performance. Dell also believes that excluding certain items from Dell's GAAP results allows Dell's management to better project Dell's future consolidated financial performance because Dell's forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, Dell believes these non-GAAP financial measures will provide investors with useful information to help them evaluate Dell's operating results by facilitating an enhanced understanding of Dell's operating performance, and enabling them to make more meaningful period to period comparisons. Non-GAAP projections for Fiscal 2013, which are forward looking non-GAAP financial measures, exclude acquisition-related charges, severance and facility action costs, and amortization of purchased intangible assets related to acquisitions, some of which Dell cannot forecast with certainty or accuracy due to their inherently indefinite and contingent nature, thereby preventing Dell from reconciling its projections to GAAP. The historical non-GAAP financial measures, as defined by Dell, represent the comparable GAAP measures adjusted to exclude these same items as well as amounts for the settlements related to the SEC investigation and a securities litigation matter, which were both incurred during the first quarter of Fiscal 2011, and a merger termination fee, which was received during the third quarter of Fiscal 2011. Dell provides more detail below regarding each of these items and our reasons for excluding them. In future fiscal periods, Dell expects that it may again exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in Dell's non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual.

The non-GAAP financial measures for the periods indicated in the tables above reflect adjustments related to the following items:

- *Severance and Facility Actions and Acquisition-related Costs* - Severance and facility action costs are primarily related to facilities charges including accelerated depreciation and severance and benefits for employees terminated pursuant to cost synergies related to strategic acquisitions and actions taken as part of a comprehensive review of costs. Acquisition-related charges are expensed as incurred and consist primarily of retention payments, integration costs, and other costs. Retention payments include stock-based compensation and cash incentives awarded to employees, which are recognized over the vesting period. Integration costs primarily include IT costs related to the integration of IT systems and processes, costs related to the integration of employees, costs related to full-time employees who are working on the integration, and consulting expenses. Severance and facility actions and acquisition-related charges are inconsistent in amount and are significantly impacted by the timing and nature of these events. Therefore, although Dell may incur these types of expenses in the future, Dell believes eliminating these charges for purposes of calculating the non-GAAP financial measures facilitates a more meaningful evaluation of Dell's current operating performance and comparisons to Dell's past operating performance.

- *Amortization of Intangible Assets* - Amortization of purchased intangible assets consists primarily of amortization of customer relationships, acquired technology, non-compete covenants, and trade names purchased in connection with business acquisitions. Dell incurs charges relating to the amortization of these intangibles, and those charges are included in Dell's consolidated financial statements. Amortization charges for Dell's purchased intangible assets are inconsistent in amount and are significantly impacted by the timing and magnitude of Dell's acquisitions. Consequently, Dell excludes these charges for purposes of calculating the non-GAAP financial measures to facilitate a more meaningful evaluation of Dell's current operating performance and comparisons to Dell's past operating performance.



- *Other Fees and Settlements* - Dell also adjusts its GAAP results for certain fees and settlements. During the third quarter of Fiscal 2011, Dell received \$72 million from 3PAR inc ("3PAR") for 3PAR's termination of its merger agreement with Dell. For the first quarter of Fiscal 2011, Dell recorded a \$100 million settlement amount for the SEC investigation into certain of Dell's accounting and financial matters, which was initiated in 2005, and also incurred \$40 million for a securities litigation class action lawsuit that was filed against Dell during Fiscal 2007. Dell is excluding these fees and settlements from the operating results of Fiscal 2011 for the purpose of calculating the non-GAAP financial measures because it believes these settlements are outside Dell's ordinary course of business and do not contribute to a meaningful evaluation of Dell's current operating performance.
- The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. The tax effects are determined based on the tax jurisdictions where the above items were incurred.

There are limitations to the use of non-GAAP financial measures. Dell's non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in Dell's industry, may calculate the non-GAAP financial measures differently than Dell does, limiting the usefulness of those measures for comparative purposes. In addition, items such as amortization of purchased intangible assets represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in the non-GAAP financial measures and such measures, therefore, do not reflect the full economic effect of such loss. Further, items such as severance and facility action costs and acquisition expenses that are excluded from the non-GAAP financial measures can have a material impact on earnings. Dell's management compensates for the foregoing limitations by relying on Dell's GAAP results and using non-GAAP financial measures supplementally or for projections when comparable GAAP measures are not available. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as substitutes for gross margin, operating expenses, operating income, net income, and earnings per share prepared in accordance with GAAP and should be read only in conjunction with financial information presented on a GAAP basis. Dell provides detailed reconciliations of each historical non-GAAP financial measure to its most directly comparable GAAP measure within the financial information included with this press release and in other written materials that include such non-GAAP historical financial measures, and Dell encourages investors to review the reconciliations in conjunction with the presentation of any historical non-GAAP financial measures.